

BUSINESS ASSURANCE

Counter Fraud Progress Report to Audit Committee: 2018/19 Quarter 4

31st March 2019



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1. Introduction

1.1 The Role of the Business Assurance Counter Fraud Team

- 1.1.1 The Business Assurance Counter Fraud Team (BACFT) supports the Council in meeting its statutory responsibility under section 151 of the Local Government Act 1972 for the prevention and detection of fraud and corruption. The work of the BACFT underpins the Council's commitment to a zero tolerance approach to fraud, bribery, corruption and other irregularities, including any money laundering activity.
- 1.1.2 As well as counter fraud activity, there is also a range of preventative work that the team is responsible for carrying out. This includes, fraud awareness training and ensuring the Council have up-to-date and appropriate investigation policies and procedures.

1.2 The Purpose of the Counter Fraud Progress Report

- 1.2.1 The Counter Fraud Progress Report provides the Council's Corporate Management Team (CMT) and Audit Committee with summary information on all counter fraud work carried out during the Quarter 4 period (1st January to 31st March 2019). In addition, it provides an opportunity for the Deputy Director of Exchequer & Business Assurance Services (Acting) [DDEBA] to highlight any significant issues arising from the counter fraud work in Quarter 4.
- 1.2.2 The progress report also highlights to CMT, the Audit Committee and other key stakeholders, the performance of the BACFT in meeting its strategic and operational objectives (as set out in the Counter Fraud Strategic Plan), which provides an opportunity for the DDEBA to be held to account in this respect.

2. Executive Summary

- 2.1 During Quarter 4 the BACFT has achieved **successful loss prevention outcomes** relating to housing fraud, Disabled Facilities Grants and Social Care. **Five Council properties** have been recovered and a further two council tenants have downsized as a result of the team's work. One tenant relinquished a property fully adapted with disabled facilities, which prevented costs of **£40,000** in planned adaptations to another property. In Social Care one family were prevented from receiving Section 17 funding of **£12,603** in accommodation and subsistence.
- 2.2 In this quarter the BACFT has continued to focus on the delivery of **tenancy fraud projects**, and delivered successful **blue badge** proactive counter fraud work. The team continues its fraud prevention and detection work through investigations and verifications activities.
- 2.3 As part of a wider review of resourcing within the areas of Counter Fraud and Exchequer Services, consultation has begun on a **proposed restructure within the BACFT** which intends to return the Revenues Inspections into the Verifications sub-team. This is intended to take advantage of the Verifications processes, which have proved to be successful in delivering positive loss prevention outcomes, and apply them to revenues inspections, together with increased flexibility of resource and the ability to undertake out of hours work to achieve greater revenue collection. Also as part of the proposal is the increase in capacity for the Intelligence sub-team and reducing of capacity for criminal investigations. This is in order to achieve the right skills mix within the BACFT to take advantage of the loss prevention opportunities in 2019/20 for internal data matching and NFI, the **London Counter Fraud Hub** and proactive counter fraud projects. The need for fully trained criminal investigation officers is less with more fraud prevention and detection work carried out by the Verifications and Intelligence sub-teams prior to full investigations.
- 2.5 The **Home Office Immigration Enforcement Officer** (IEO) continues to work with the BACFT to help the Council prevent fraud against Hillingdon taxpayers. The IEO results in

2018/19 highlight that the financial benefit of having direct access to this resource clearly outweighs the cost.

- 2.6 Further detailed analysis of the BACFT's work in Quarter 4 is included in section 3 of this report.

3. Analysis of Counter Fraud Activity in Quarter 4

3.1 Housing Fraud - Work in Quarter 4

- 3.1.1 The main work-stream for the BACFT continues to be in relation to the prevention and detection of housing fraud. The Council is exposed to a number of housing fraud risks, as detailed in the Counter Fraud Strategy for 2018/19, and deploys significant BACFT resource on the prevention and detection of housing fraud.
- 3.1.2 Per **Table 1**, in the 2018/19 financial year to date, the BACFT has successfully recovered **19** Council properties and are actively pursuing a further **1** case for eviction. A further **25** investigations for suspected tenancy fraud are ongoing.

Table 1 ~ Housing Tenancy Fraud Cases

Housing Tenancy Fraud Cases	2018/19 (to date)*		2017/18		2016/17	
	Cases	£k/value**	Cases	£k/value	Cases	£k/value
Total number of recovered properties	19	£342k	43	£774k	64	£1,152k
Total number of ongoing cases	25	£450k	-	-	-	-

* as at 31st March 2019

** = In 2014, the Audit Commission reported the national average temporary accommodation costs to Local Authorities for one family as **£18k per property**. We continue to use this prudent estimate for reporting purposes, although across London a number of authorities are reporting that the true cost of each tenancy fraud case is more accurately estimated as **£94k per property** and some as high as **£150k per property** as a representation of property replacement costs.

- 3.1.3 The BACFT KPI 5 (refer **Table 4** in **Appendix A**) is set at a **20% property recovery rate** for tenancy fraud referrals received. In Quarter 4 the team has achieved **16%** property recovery rate (**19%** for the year to date). The team has commenced **10** new tenancy fraud investigations in Quarter 4, increasing the total number of ongoing investigations in this area to **25**.
- 3.1.4 In addition to work on tenancy fraud, the BACFT carries out investigations into suspected **fraudulent Right to Buy (RTB)** applications. This is where a person is applying to buy their council house under the statutory scheme, and at a significant discount to market values. The scheme operates under strict conditions that must be met by the applicant if they are to qualify for the discount. In 2018/19 to date the team has identified **4** cases of fraudulent RTB applications which have been stopped meaning the prevention of fraud valuing **£415,700** in RTB discount. Currently there are **6 ongoing RTB fraud** cases being investigated by the BACFT.
- 3.1.5 As part of the BACFT's **fraud prevention coverage** it proactively carries out verification work on existing Council tenancies and other housing services. Using information gathered by the Intelligence Officers and Verification Officers, the BACFT carry out confirmation checks, which often includes un-notified visits to properties. The team also work with a variety of social landlords and statutory agencies to help detect fraud where information sharing protocols are in place, to try and make sure the right people are living in Council properties.

3.1.6 Per **Table 2** below, in the 2018/19 year to date, the BACFT has successfully identified **799** housing tenancy cases that should be rejected for various reasons.

Table 2 ~ Housing Tenancy Verification Cases

Housing Tenancy Verification Cases	2018/19 (to date)*	2017/18
Total number of cases reviewed	1909	2,485
Total number verified as accurate	1110	1,398
Total number rejected	799	1,087
% identified by BACFT for rejection	42%	44%

* as at 31st March 2019

3.1.7 Of the **799** cases that have been rejected, **38** applications have been completely closed down. This was due to a variety of reasons i.e. they do not have 10 years residency, they have no immigration status, they own a property elsewhere, or they have over £30k in savings or assets. Without the BACFT enhanced verification checks, these applications may well have been successful and the applicant would then have been housed in a Council property.

3.1.8 The BACFT Verification and Intelligence sub-teams now cover a wide range of work streams, providing assurance over expenditure of residents' grants for property purchasing and high value expenditure on temporary accommodation. The areas of verification are:

- **First time buyer scheme** - eligibility based grant scheme helping residents who aspire to property ownership to buy their first home.
- **Right to Buy** - formal verification of every RTB application to identify suspected fraud and ineligibility.
- **Bed & Breakfast accommodation** - residency check of all Bed & Breakfast accommodation bi-annually as part of a proactive project.
- **Section 17 Accommodation** - residency check of all Section 17 accommodation bi-annually as part of a proactive project.
- **Social Housing Allocations** - formal verification of all social housing applicants that are actively seeking accommodation to identify suspected fraud or ineligibility.
- **Section 17 Verification checks** - Initial checks on applicants who approach social care for assistance with accommodation to ensure eligibility.

In Quarter 4 the BACFT has introduced further verification workstreams in the following areas:

- **Mutual Exchange Verification checks**- Desk checks and unannounced visits to ensure tenants meet the criteria required to exchange.
- **Succession & Assignment Verification checks**- Desk checks and unannounced visits when required to ensure the applicants meet the relevant eligibility criteria.

3.1.9 The introduction of new Verifications workstreams for Mutual Exchange and Succession and Assignment in Quarter 4, has resulted in **three of the six succession and assignment verifications carried out being passed to legal and tenancy management to recover the property** as the applicant was not entitled to the succession. These cases are ongoing and will be reported once property recovery has taken place in the new financial year.

3.1.10 The BACFT also achieved positive outcomes in other areas of housing during Quarter 4. **One Bed & Breakfast** accommodation was found to be unoccupied and the applicant's

accommodation was closed preventing expenditure of **£10,493**. **One First Time Buyer** had sublet their accommodation within the first 3 years of receiving the grant and has now repaid the funds of **£12,000** to the local authority. The criminal investigation into the unlawful sublet property is still ongoing.

3.2 National Fraud Initiative - Quarter 4 Update

3.2.1 The National Fraud Initiative (NFI) is a data matching exercise co-ordinated by the Cabinet Office (CO) which is carried out every 2 years. It matches electronic data within and between 1,300 organisations, including councils, the police, hospitals and almost 100 private companies. This helps to identify potentially fraudulent claims and errors. In November 2016 the CO reported that the NFI had helped identify almost £198m in fraud and errors in England.

3.2.2 There is now a greater emphasis on data matching in the public sector as a means of preventing and detecting fraud. In addition to the National Fraud Initiative, the **London Counter Fraud Hub** (LCFH) is a new initiative that brings together London Boroughs with counter fraud specialists and the latest technologies, to help local authorities tackle fraud and corruption. At the centre of the LCFH is an analytics solution that helps prevent, detect and recover losses from fraud. The Council is in the process of gaining formal approval and waiting for the contractual paperwork to be completed before joining the hub.

3.2.3 The next NFI exercise data matches for Hillingdon were received in the first week of February 2019. Data sets are being returned in a staggered manner. The BACFT are continuing to work through the data matches identified for 2017 and 2019, this has resulted in **savings of £6685.82** to date. This work has also resulted in the recovery of a council property. As part of the Counter Fraud Strategic Plan 2019/20, we continue to place greater emphasis on the use of data matching and analytics to help prevent and detect fraud against the Council, and to identify loss prevention opportunities.

3.3 Blue Badge Fraud - Work in Quarter 4

3.3.1 Blue Badge permits provide parking concessions for people with severe mobility problems. Historically the scheme was restricted to people with physical disabilities so they can park closer to their destination than other drivers, as they are less able to take public transport or walk longer distances. However, in the biggest overhaul to the scheme since the 1970s, the new criteria has extended eligibility to people with less visible conditions i.e. people with autism and mental health conditions now have access to Blue Badges, removing the barriers many face to travel.

3.3.2 Although the direct monetary value of Blue Badge Fraud is relatively low, the reputational risk in relation to this area is significant for the Council. As a result, Blue Badge Fraud continues to feature in the BACFT's work plan with a planned approach of at least one Blue Badge proactive 'operation' per quarter.

3.3.3 In Quarter 4, one proactive Blue Badge misuse operation was carried out in Uxbridge High Street. The results are as follows:

- **59 badges checked** by BACFT officers;
- **1 criminal investigation opened** following badge seizure.
- **5 Expired badges seized** and returned to the blue badge team.

3.3.4 It is to be noted that since commencing Blue Badge operations, **instances of misuse are falling in number** indicating a positive impact within the borough and public awareness of this issue. This reflects positively on how the Council tackles blue badge fraud and provides reassurance to residents that fraud in this area will not be tolerated by this Council. The BACFT will continue to carry out proactive work in this area in 2019/20.

3.4 Tenancy Fraud Project- Work in Quarter 4

3.4.1 This quarter the team continued a risk based proactive project conducting residency checks of Council tenancies. The objective of this project is to verify that Council properties are lawfully occupied.

3.4.2 This exercise helps identify fraud being committed through subletting or non-occupation. Our work in this area leads to the recovery of Council properties and the identification of associated loss preventions e.g. Council Tax discounts.

3.4.3 The results of this project to date are as follows:

- 327 properties total visited (over 750 visits in total accounting for multiple visits required to a number of properties);
- 304 properties were verified as lawfully occupied including 4 tenancies to be downsized and including several cases of unpaid Council Tax (Single Person Discount) and Housing Benefit overpayments;
- 22 properties unable to be verified as yet. These are case where the tenant has not been found at the property despite multiple visits at different times of the day during the week/at weekends. Our intelligence gathering work is well under way and 12 of these cases have already been passed to the Investigations sub-team for full investigation. As our intelligence gathering work continues on these properties, it is likely that a number of these properties will be identified as illegally sub-let or unoccupied leading us to commence property recovery proceedings;
- 1 tenant in this project has downsized from a fully adapted property saving the Disabilities Facilities Grant (DFG) £40K in adaptation costs to another property.
- The remaining 1 property is to be returned to housing stock (deceased tenant).

3.4.4 At the start of Quarter 4 the BACFT initiated a **new proactive project conducting residency checks for temporary accommodation**. The project was introduced to ensure that all tenants are in occupation, to identify any that were being unlawfully sublet, and to establish non-occupation with the intention to recover the property. The results to date are as follows:

- 218 Properties visited (Over 300 visits in total accounting for multiple visits);
- 134 properties verified as lawfully occupied. Intelligence checks and further visits are in progress for the remaining 73 where occupancy has unable to be verified, and these will likely generate further investigations and loss prevention outcomes;
- 8 Properties to be revisited due to identification of potential SPD fraud;
- 2 Social care referrals made regarding safeguarding children; and
- 3 properties under investigation for suspected non-occupation or sublet.

Further updates and outcome will be available in the Counter Fraud 2019/20 Quarter 1 progress report.

3.5 Immigration Enforcement Officer (IEO) - Work in Quarter 4

3.5.1 Since 16th April 2018, the BACFT has had a Home Office IEO working as part of the team. The purpose is to provide enhanced access to Home Office data for the purpose of assessing cases involving immigration status and for assisting in counter fraud work requiring access to home office data.

3.5.2 The IEO has so far provided invaluable assistance in counter fraud work and many other Council service areas, such as Social Care and Housing, by carrying out background checks and carrying out face to face interviews where there is potentially an immigration issue. As a result, the work of the IEO in financial loss prevention across the Council in

Quarter 4 is prudently estimated at **£233,208**. Refer to **Table 4** in **Appendix B** for a breakdown of identified loss prevention savings to date.

3.6 Social Care Fraud work Quarter 4

During Quarter 4 BACFT continued to conduct a visiting programme into Section 17 accommodation to ensure occupation. As a result of these visits, one client was found to have recourse to public funds and no longer needed assistance under Section 17. The accommodation and subsistence payments were cancelled providing a saving of **£12,603**. Work has also been carried out with **Social Care** colleagues to create a **new verification process for applicants who require Section 17 funding**. This process requires applicants to, at the point of approaching the Council, provide further information regarding their address history and financial situation. Since its introduction, there has been a reduction in the number of families supported under Section 17 after the initial assessment. Figures will be available regarding the success of this initiative in the next quarter.

3.7 Other Counter Fraud Work in Quarter 4

3.7.1 With the drive to improve efficiency and quality of investigations, all BACFT referrals are now robustly risk assessed and intelligence checked before being considered for escalation to formal investigation stage. **In Quarter 4 there were 86 referrals for investigation** from internal and external sources. At 18th March, there are **25** ongoing investigations. **72%** of these (**18**) relate to different aspects of housing and tenancy fraud.

4. Analysis of the Counter Fraud Team Performance in Quarter 4

- 4.1 In Quarter 1 KPIs for the BACFT were agreed and implemented to allow effective measurement of BACFT performance and enable the team and the DDEBA to be better held to account by CMT and Audit Committee. Attached at **Appendix A** is **Table 3** which sets out the performance by the BACFT against the KPIs as at 18th March 2019.
- 4.2 As can be seen from **Table 3**, it is acknowledged that there is more work that can and will be done to improve performance against targets. The team's performance is in the main on an upward trend throughout the year, but with specific areas to focus on early in the new financial year. Performance should also be considered against the context of a vacancy within the Intelligence Team and the fact that there has been no significant drop in performance recorded in general.
- 4.3 **Appendix B** and **Table 4** provides an overview of the financial performance of the team in 2018/19, and is one of the metrics by which performance can be measured.
- 4.4 Comprehensive counter fraud benchmarking data is being gathered for reporting in the BACFT 2018/19 Annual Report. This will provide context for the team performance against all London Borough counter fraud teams.

5. Forward Look

- 5.1 Looking ahead to Quarter 1 of 2019/20 there are a number of key priorities for the BACFT. These include:
- Complete the **consultation for the proposed restructure**, including recruitment to all newly created positions within the team;
 - Build a working relationship with counter fraud colleagues through **joint working with the Department for Work and Pensions** on matters involving both Housing Benefit and Council Tax Reduction fraud in order to maximise loss prevention in this area;
 - Lead on the Council joining the **London Counter Fraud Hub** ensuring that the Council is fully prepared to take advantage of all opportunities presented;

- Carry out **internal data matching processes** to assist in the prevention and detection of fraud and begin work on **external data matching exercises through the NFI**;
- Continue **engagement with key stakeholders through fraud awareness and risk workshops** to further promote the counter fraud culture within the Council;
- Continue to review current **counter fraud work-streams** to ensure the effective use of resources, seeking opportunities to **maximise loss prevention opportunities** for the Council through targeting the areas of highest fraud risk.

5.2 The BACFT would like to take this opportunity to formally record its thanks for the co-operation and support it has received from the management and staff of the Council during Quarter 4. There are no other counter fraud matters that the DDEBA needs to bring to the attention of CMT or the Audit Committee at this time.

Muir Laurie FCCA CMIIA
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31st March 2019

APPENDIX A**Table 3 ~ BACFT Quarter 4 KPIs and Actual Performance**

BACFT KPIs	Target	Q4	YTD
1. Percentage of fraud referrals risk assessed within 3 working days	95%	86%	65%
2. Verification work timescales for completion:			
a. Housing Allocations completion within 3 working days	95%	91%	90%
b. First Time Buyer completion within 5 working days	95%	100%	90%
c. Right to Buy completion within 28 working days	95%	50%	54%
3. Housing Bed and Breakfast clients verified every 40 working days	95%	N/A ¹	97%
4. Investigation plan completion within 5 working days of case allocation	95%	90%	67%
5. Tenancy fraud referrals received resulting in property recovery	20%	16%	18%
6. Investigations resulting in sanction (<i>prosecution/penalty/caution</i>)	10%	4%	7%
7. Investigations resulting in loss prevention/financial saving outcome	25%	24%	22%

¹ BACFT are no longer visiting B&B accommodation on a rolling programme and will be conducting two proactive visit projects during the financial year

APPENDIX B**Table 4 ~ BACFT Quarter 4 & Year To Date Financial Performance**

Work area	Description	Q4	YTD
Housing	Right to Buy discounts	£0	£415,700
	Property Recovery (notional savings)	£108,000	£342,000
	Other savings/loss prevention	£63,808	£82,716
	Prosecution costs	£0	£11,353
Social Services	Loss Prevention	£12,603	£50,520
Revenues	Council Tax Reduction	£596	£18,267
	Single Person Discount	£3,053	£15,748
	Council Tax Arrears	£2,277	£12,865
	Housing Benefit Overpayments	£5,534	£13,778
Blue Badge	Simple Caution & Financial Penalty	£100	£900
	Prosecution Costs Received	£0	£3,500
Immigration Officer	Housing First Time Buyer scheme*	£0	£35,646
	Housing Homelessness Applications**	£53,581	£101,559
	Asylum Seeking Children Expense***	£0	£40,537
	Social Services Section 17 Expense**	£17,195	£55,466
	IEO Sub Total	£70,776	£233,208
Totals	Loss Prevention	£123,378	£739,427
	Notional Savings	£113,534	£373,778
	Cashable Savings	£29,733	£90,131
	Costs awarded and penalties	£100	£15,653
	Total	£266,745	£1,219,149

* First time buyers - Average grant given per person based on 2016/17.

** Average weekly cost against average length of support. This figure fluctuates but has been provided by the Council's business performance team.

*** Cost of accommodation and subsistence per week for one year. This figure is a prudent estimate as the Council can and does often support asylum seeking children until they are 25 years old.